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REGENT SUKOHARJO
PROVINCE OF CENTRAL JAVA

SUKOHARJO REGENCY REGULATIONS

NUMBER 64 OF 2021

ABOUT

GUIDELINES FOR IMPLEMENTING GOOD CORPORATE GOVERNANCE (*GOOD CORPORATE GOVERNANCE*) IN REGIONAL OWNED ENTERPRISES

BY THE GRACE OF GOD ALMIGHTY

REGENT SUKOHARJO,

- Considering: a. that the principles of *Good Corporate Governance* are the rules or guidelines needed in the healthy and accountable management of Regional Owned Enterprises;
- b. that to further improve the performance of Regional Owned Enterprises, the principles of *Good Corporate Governance* are implemented needs to be further optimized;
- c. that based on the considerations as intended in letters a and b, it is necessary to stipulate a Regent's Regulation concerning Guidelines for the Implementation of Good Corporate Governance *in* Regional Owned Enterprises;

Bearing in mind: 1. Law Number 13 of 1950 concerning the Establishment of Regency Areas within the Province of Central Java as amended by Law Number 9 of 1965 concerning

Establishment of the Batang Level II Region by amending Law No. 13 of 1950 concerning the Establishment of Regency Regions within the Province of Central Java (State Gazette of 1965 Number 52, Supplement to State Gazette Number 2757);

2. Law Number 23 of 2014 concerning Regional Government (State Gazette of the Republic of Indonesia of 2014 Number 244, Supplement to State Gazette of the Republic of Indonesia Number 5587) as amended several times, most recently by Law Number 11 of 2020 concerning Job Creation (State Gazette Republic of Indonesia 2020 Number 245, Supplement to the State Gazette of the Republic of Indonesia Number 6573);

3. Government Regulation Number 54 of 2017 concerning Regional Owned Enterprises (State Gazette of the Republic of Indonesia of 2017 Number 305, Supplement to State Gazette of the Republic of Indonesia Number 6173);
4. Sukoharjo Regency Regional Regulation Number 6 of 2019 concerning the Regional Liability Company of Rural Bank Sukoharjo Bank (Sukoharjo Regency Regional Gazette of 2019 Number 6, Supplement to Sukoharjo Regency Regional Gazette Number 282).
5. Sukoharjo Regency Regional Regulation Number 12 of 2019 concerning Tirta Makmur Regional Drinking Water Public Company (Sukoharjo Regency Regional Gazette of 2019 Number 12, Supplement to Sukoharjo Regency Regional Gazette Number 286);
6. Sukoharjo Regency Regional Regulation Number 11 of 2019 concerning Regional Public Printing and Publishing Companies (Sukoharjo Regency Regional Gazette of 2019 Number 11, Supplement to Sukoharjo Regency Regional Gazette Number 285);

DECIDE :

Establish: REGENT REGULATION CONCERNING GUIDELINES FOR THE IMPLEMENTATION OF *GOOD CORPORATE GOVERNANCE* IN REGIONAL OWNED BUSINESS ENTITIES.

PIG

GENERAL REQUIREMENTS

article 1

In this Regent's Regulation what is meant by:

1. The region is Sukoharjo Regency.
2. Regional Government is the Regent as the organizing element of Regional Government which leads the implementation of government affairs which are the authority of the autonomous region.
3. The Regent is the Regent of Sukoharjo.
4. Good Corporate Governance , hereinafter referred to as GCG, is a management system that directs and controls a company to produce sustainable economic benefits and balanced relationships between stakeholders.
5. Regionally Owned Enterprises, hereinafter referred to as BUMDs, are business entities whose capital is wholly or partially owned by the Region.

6. Regional Public Companies, hereinafter referred to as Perumda, are BUMDs whose entire capital is owned by one Region and is not divided into shares.
7. A Regional Limited Liability Company, hereinafter referred to as Perseroda, is a BUMD in the form of a Limited Liability Company whose capital is divided into shares, all of which or at least 51% (fifty one percent) of the shares are owned by one Region.
8. The Regional Head Who Represents the Regional Government in Ownership of Separated Regional Assets in Regional Public Companies, hereinafter abbreviated as KPM, is the organ of the Regional Public Company which holds the highest power in the Regional Public Company and holds all authority that is not delegated to the Directors or Supervisory Board.
9. The General Meeting of Shareholders, hereinafter abbreviated to GMS, is a Company organ that has authority that is not granted to the Board of Directors or Board of Commissioners within the limits specified in the provisions of statutory regulations and/or the articles of association.
10. Stakeholders are parties who have an interest in BUMD because they have a legal relationship with BUMD, either directly or indirectly, namely Shareholders or Capital Owners, Board of Commissioners, Supervisory Board, Directors and Employees, Government, and other interested *parties* .
11. A Business Plan is a breakdown of activities with a 5 time period (five years).
12. BUMD Work Plan and Budget, hereinafter referred to as RKA BUMD, is the annual elaboration of the BUMD Business Plan.
13. Main Performance Indicators or *Key Performance Indicators* , hereinafter abbreviated to KPI, are measures or indicators that focus on aspects of company performance that are most dominant in determining the company's success at present and in the future.

Section 2

This Regent's Regulation is intended as a guideline for healthy and accountable BUMD management.

Article 3

The GCG principles referred to in this Regent's Regulation include:

- a. Transparency , namely openness in carrying out the decision-making process and openness in disclosing material and relevant information about the company;

- b. Accountability , namely clarity of function, implementation and responsibility of the Organ so that company management is carried out effectively;
- c. Accountability , namely conformity in company management to statutory regulations and healthy corporate principles;
- d. Independence , namely a situation where the company is managed professionally without conflicts of interest and influence/pressure from any party that is not in accordance with statutory regulations and healthy corporate principles; And
- e. Fairness , namely justice and equality in fulfilling the rights of stakeholders *that* arise based on agreements and statutory regulations.

Article 4

The application of GCG principles to BUMD aims to:

- a. optimize the value of BUMD so that companies have strong competitiveness, both locally and nationally, so that they are able to maintain their existence and live sustainably to achieve the goals and objectives of BUMD;
- b. encouraging the management of BUMDs in a professional, efficient and effective manner, as well as empowering the functions and increasing the independence of BUMD Organs;
- c. encourage BUMD Organs to make decisions and carry out actions based on high moral values and compliance with statutory regulations, as well as awareness of the social responsibility of BUMD towards Stakeholders; And
- d. increasing the contribution of BUMD to the fiscal capacity of Regional Government, the Regional economy, the national economy, as well as improving a conducive climate for the development of national investment.

CHAPTER II

BUMD'S OBLIGATION TO IMPLEMENT GCG

Article 5

- (1) BUMD is obliged to implement GCG consistently and sustainably, guided by this Regent's Regulation while still paying attention to applicable provisions and norms as well as the BUMD's articles of association.

(2) In order to implement GCG as intended in paragraph (1), the Board of Directors gradually prepares GCG guidelines including:

- a. *code of conduct*;
- b. corporate governance guidelines (*code of corporate governance*);
- c. guidelines for the work procedures of directors and supervisory boards/ commissioners (*board manual*);
- d. internal supervision system guidelines;
- e. internal control system guidelines;
- f. risk management guidelines;
- g. procedures for reporting suspected irregularities at the relevant BUMD;
- And
- h. information technology governance.

CHAPTER III

CAPITAL OWNERS OR SHAREHOLDERS

Part One

Rights of Capital Owners or Shareholders

Article 5

- (1) The rights of capital owners or shareholders who must protected, including the following:
- a. attend and vote at a GMS, if Perseroda shareholders cannot attend in person, they can attend online *by teleconference* ;
 - b. make the highest decisions at Perumda, for Perumda capital owners, if they cannot attend in person, they can attend online *by teleconference* ;
 - c. obtain material information regarding BUMD, in a manner timely, measurable and orderly;
 - d. receive distribution of BUMD profits intended for shareholders/capital owners in the form of dividends, and remaining assets resulting from liquidation, in proportion to the number of shares/capital owned;
 - And
 - e. other rights based on the articles of association and statutory regulations.
- (2) Shareholders whose names are recorded in the register shareholders, are shareholders who have the rights as intended in paragraph (1).

- (3) Shareholder rights as intended in paragraph (1) letters a and d, apply as long as they are not otherwise regulated in the law governing limited liability companies.

The second part
AGM

Article 6

- (1) Every shareholder has the right to obtain a complete explanation and accurate information regarding the holding of the GMS, including:
- a. summons for the GMS, which includes information regarding each agenda item on the GMS agenda, including proposals planned by the Board of Directors to be submitted at the GMS, provided that if the information is not yet available when the summons for the GMS is made, then the information and/or proposals must be provided at the Perseroda office before the GMS is held;
 - b. methods for calculating and determining salaries/honorariums, facilities and/or other allowances for each member of the Board of Commissioners and Directors, as well as details regarding salaries/honorariums, facilities and/or other allowances received by members of the Board of Commissioners and Directors who are currently serving, specifically in GMS regarding Annual Report;
 - c. information regarding details of the company's work plan and budget and other matters planned to be implemented by Perseroda, specifically for the GMS Long Term Plan (RJP) and Company Work Plan and Budget (RKAP);
 - d. financial information and other matters relating to the Company contained in the Annual Report and Financial Statements; And
 - e. complete explanation and accurate information regarding matters relating to the GMS agenda provided before and/or during the GMS;
- (2) The GMS in other agenda items has the right to make decisions as long as all shareholders are present and/or represented at the GMS and approve additional GMS agenda items.
- (3) Decisions regarding additional agenda items as intended in paragraph (2) must be approved unanimously.
- (4) Every time a GMS is held, minutes of the GMS are prepared which at least contain the time, agenda, participants, opinions developed at the GMS, and GMS decision.
- (5) The minutes of the GMS as intended in paragraph (4) are signed by the chairman of the GMS and at least 1 (one) Shareholders appointed from and by GMS participants.

- (6) The signature as intended in paragraph (5) is not required if the minutes of the GMS are drawn up with a Notarial deed.
- (7) Every shareholder has the right to obtain a copy of the GMS minutes.

Article 7

- (1) Shareholders can make decisions outside the GMS, provided that all shareholders with voting rights agree in writing by signing the decision in question.
- (2) Shareholder decisions as referred to in paragraph (1), have the same binding legal force as physical GMS decisions.

Part Three
KPM meeting

Article 8

- (1) In proposing something to be decided by the Regent as Capital Owner's Authority (KPM), the Directors and/or Supervisory Board submit a complete explanation to the KPM.
- (2) In order to make a decision, the Regent as the Capital Owner's Authority (KPM) has the right to request an explanation from the Directors and/or Supervisory Board regarding information relating to the matter to be decided.
- (3) Every decision of the Regent as KPM, based on a proposal from the Directors and/or Supervisory Board, is made in writing.

Part Four
Form of Shareholder/Capital Owner Decision

Article 9

- (1) The decision of shareholders as intended in Article 7 and the Decree of the Regent as KPM as intended in Article 8, can be made in the form of a decision letter or ordinary letter, both of which have binding force as a GMS/Regent's Decree.
- (2) Ordinary letters as referred to in paragraph (1), are delivered in order to provide decisions on proposals submitted by the Board of Directors and/or Board of Commissioners/Board Supervisor.

Part Five
Accountability of Capital Owners/Shareholders

Article 10

Capital Owners or Shareholders implement GCG in accordance with their authority and responsibility.

CHAPTER IV
SUPERVISORY BOARD OR BOARD OF COMMISSIONERS

Part One

Function

Article 11

- (1) In carrying out its duties, the Supervisory Board or Board of Commissioners must comply with the provisions of statutory regulations and/or the articles of association.
- (2) The Supervisory Board or Board of Commissioners is responsible and authorized to supervise management policies, the course of management in general, both regarding BUMD and its businesses and provide advice to the Board of Directors.
- (3) Supervision and provision of advice as intended in paragraph (2), is carried out for the interests of BUMD and in accordance with the aims and objectives of BUMD, and is not intended for the interests of certain parties or groups.
- (4) The Supervisory Board or Board of Commissioners makes distributions tasks set by themselves.
- (5) The Supervisory Board or Board of Commissioners prepares an annual work plan and budget which is an inseparable part of the BUMD RKA.
- (6) The Supervisory Board or Board of Commissioners submits a report regarding the supervisory tasks carried out during the previous financial year to the Regent/GMS.
- (7) The Supervisory Board or Board of Commissioners must monitor and ensure that GCG has been implemented effectively and sustainably.
- (8) The Supervisory Board or Board of Commissioners must ensure that the BUMD Annual Report contains information regarding the identity, main jobs, positions of the Supervisory Board/Board of Commissioners in other companies, including meetings held in one financial year (internal meetings as well as joint meeting with the Board of Directors), as well as honorarium, facilities and/or other benefits received from the relevant BUMD.
- (9) The Supervisory Board or Board of Commissioners reports to the BUMD regarding their and/or family's share ownership in the relevant BUMD and other companies, including any changes thereto.
- (10) Former members of the BUMD Board of Directors can become members of the Supervisory Board or Board of Commissioners of the relevant BUMD, after not having served as a member of the relevant BUMD Board of Directors for at least 1 (one) year.

The second part
Supervisory Board or Board of Commissioners meetings

Article 12

- (1) Meetings of the Supervisory Board or Board of Commissioners must be held periodically and at such meetings the Supervisory Board or Board of Commissioners may invite the Directors.
- (2) The Supervisory Board or Board of Commissioners must determine the rules for the Meeting of the Supervisory Board or Board of Commissioners.
- (3) At each meeting of the Supervisory Board or Board of Commissioners, minutes of the meeting must be drawn up containing the opinions developed at the meeting, both supporting and unsupportive opinions or dissenting opinions, the decisions or conclusions of the meeting, as well as the reasons for the absence of members of the *Board*. Supervisor or Board of Commissioners, if any.
- (4) Every member of the Supervisory Board or Board of Commissioners has the right to receive a copy of the minutes of the Supervisory Board/Board of Commissioners Meeting, whether the person concerned is present or not present at the Supervisory Board or Board of Commissioners Meeting.
- (5) Original minutes of each Supervisory Board or Board Meeting Commissioners must be kept by the relevant BUMD and must be available when requested by each member of the Supervisory Board or Board of Commissioners and Directors.
- (6) The number of meetings of the Supervisory Board or Board of Commissioners and the number of attendances of each member of the Supervisory Board or Board of Commissioners must be included in the BUMD Annual Report.

Part Four

Assessment of the Supervisory Board or Board of Commissioners

Article 13

- (1) The KPM or GMS determines the Key Performance Indicators *for* the Supervisory Board or Board of Commissioners based on the proposal from the relevant Supervisory Board or Board of Commissioners.
- (2) Key Performance Indicators are a measure of the assessment of the success of implementing the duties and responsibilities of supervision and providing advice by the Supervisory Board or Board of Commissioners in accordance with the provisions of statutory regulations and/or the articles of association.
- (3) The Supervisory Board or Board of Commissioners submits a quarterly report on the progress of the realization of Key Performance Indicators to the Regent or shareholders.

Part Five
Information for the Supervisory Board or Board of Commissioners
Article 14

The Board of Directors ensures that information regarding BUMD can be obtained by the Supervisory Board or Board of Commissioners in a timely, measurable and complete manner.

Part Six
Prohibition of Taking Personal Profit
Article 15

Members of the Supervisory Board or Board of Commissioners are prohibited from carrying out actions that have a conflict of *interest* and taking personal advantage from decision making and/or implementation of relevant BUMD activities, other than legitimate income.

Part Seven
Supporting Organs of the Supervisory Board or Board of Commissioners
Article 16

- (1) Supporting organs of the Supervisory Board or Board of Commissioners, consist of:
 - a. Secretariat of the Supervisory Board or Board of Commissioners;
 - b. Audit Committee; and
 - c. other committees.
- (2) Supporting Organs of the Supervisory Board or Board of Commissioners as intended in paragraph (1) if necessary.
- (3) Other Committees as referred to in paragraph (1) letter c, include the Risk Management Monitoring Committee, Nomination and Remuneration Committee, and Business Development Committee.
- (4) One or more members of the committee as intended in paragraph (1) letter c shall be members of the Supervisory Board or Board of Commissioners.

CHAPTER V

BOARD OF DIRECTORS

Part One
Duties and Responsibilities of the Board of Directors

Article 17

- (1) The Board of Directors must carry out their duties in good faith for the interests of the BUMD and in accordance with the aims and objectives of the BUMD, and ensure that the BUMD carries out its social responsibilities and pays attention to the interests of various stakeholders in accordance with the provisions of statutory regulations.

- (2) The Board of Directors meeting appoints 1 (one) Director as the person responsible for implementing and monitoring GCG at the relevant BUMD.
- (3) If in a BUMD there is only 1 (one) Director, the relevant Director is responsible for implementing and monitoring GCG at the BUMD concerned.

The second part
Business Plan and
Company Work Plan and Budget
Article 18

- (1) The Board of Directors prepares a Long Term Plan (RJP) which is a strategic plan containing targets and objectives to be achieved within a period of 5 (five) years.
- (2) The Long Term Plan as intended in paragraph (1) at least contains:
 - a. evaluation of the implementation of the previous Long Term Plan
 - b. current position of BUMD;
 - c. assumptions used in preparing the Plan Long-term; And
 - d. determining missions, targets, strategies, policies and programs long term work.
- (3) The Board of Commissioners/Supervisory Board reviews and provides opinion regarding the Long-term Plan prepared by the Board of Directors before being jointly signed.

Article 19

- (1) The Board of Directors prepares a Work Plan and Budget or Business Plan for BUMD in the Financial Sector as annual elaboration of the Long Term Plan.
- (2) Work Plan and Budget or Business Plan as intended in paragraph (1) at least contains:
 - a. mission, business targets, business strategy, company policies and work programs/activities;
 - b. company budget detailed for each work program/activity budget;
 - c. financial projections of the company and its subsidiaries;
And
 - d. other matters that require a GMS/KPM decision.

- (3) The Board of Commissioners/Supervisory Board reviews and provides opinions regarding the Work Plan and Budget or Business Plan prepared by the Board of Directors before being jointly signed.

Part Four
Key Performance Indicators (*Key Performance Indicators*)
BUMD Directors

Article 20

- (1) The Directors' Main Performance Indicators aim to:
 - a. ensure the achievement of BUMD's strategic targets;
 - b. increasing the effectiveness of BUMD performance control;
 - c. ensure that BUMD operates within the previously established tolerable risk corridor;
 - d. optimizing efforts to capitalize BUMD potential;
 - e. accelerate BUMD performance growth; And
 - f. assess the performance of BUMD Directors fairly.
- (2) The Main Performance Indicators as referred to in paragraph (1) are one of the measuring tools for assessing the performance of the company and/or the Board of Directors.

Article 21

- (1) Main Performance Indicators as intended in Article 20 consist of:
 - a. Main Performance Indicators of the Board of Directors collectively; And
 - b. Key Performance Indicators for Directors individually.
- (2) The Main Performance Indicators of the Directors individually are a collegial description of the Main Performance Indicators of the Directors in accordance with the duties, functions and responsibilities of each member of the Board of Directors.

Article 23

- (1) The Board of Directors submits proposals for the Directors' Main Performance Indicators collegally to the KPM/GMS to be determined simultaneously with the submission of the Company's Work Plan and Budget.
- (2) The Main Performance Indicators of the Directors individually are a collegial description of the Main Performance Indicators of the Directors in accordance with the duties, functions and responsibilities of each member of the Board of Directors.

Part Five
Prohibition of Taking Personal Profit
Article 24

Members of the Board of Directors are prohibited from taking actions that have a conflict of interest, and taking personal advantage, either directly or indirectly, from decision making and activities of the relevant BUMD other than legitimate income.

Part Six
Board of Directors Meeting
Article 25

- (1) Directors' meetings must be held periodically, at least once a month, and at these meetings the Directors may invite the Supervisory Board or the Board of Commissioners.
- (2) The Board of Directors must determine the rules of the Board of Directors Meeting.
- (3) Minutes of Directors' Meetings must be prepared for each Directors' Meeting containing everything discussed and decided at the Meeting, but not limited to opinions developed at the meeting, both supporting and unsupportive opinions or dissenting opinions . , as well as the reasons for the absence of members of the Board of Directors, if any.
- (4) Every member of the Board of Directors has the right to receive a copy of the minutes of the Directors' Meeting, whether the person concerned is present or not present at the Directors' Meeting.
- (5) The original minutes of each Board of Directors Meeting must be kept by the relevant BUMD.
- (6) The BUMD Annual Report must contain the number of Board of Directors meetings and the number of attendance of each member of the Board of Directors.

Part Seven
Risk Management (*Risk Management*)
Article 26

- (1) The Board of Directors, in every decision/action, must consider business risks.
- (2) The Board of Directors develops and implements an integrated company risk management program which is part of the implementation of the GCG program.
- (3) Implementation of the risk management program can be carried out, with: a.
forming a separate work unit under the Board of Directors; or b. assign existing and relevant work units to carry out risk management functions.

- (4) The Board of Directors submits a risk management profile report and its handling together with the company's periodic report.

Part Eight
Internal Control System (*Internal Control System*)

Article 27

- (1) The Board of Directors must establish an effective internal control system to safeguard the company's investments and assets.
- (2) The internal control system as intended in paragraph (1), includes, among other things, the following:
- a. The internal control environment within the company is implemented in a disciplined and structured manner, consisting of:
 - 1) integrity, ethical values and employee competence; 2) philosophy, organizational culture, and management style;
 - 3) the method taken by management in implementing authority and responsibility;
 - 4) organizing and developing human resources; and 5) attention and direction carried out by the Board of Directors.
 - b. assessment of business risk management, namely a process for identifying, analyzing, assessing relevant risk management;
 - c. control activities, namely actions carried out in a process of controlling company activities at each level and unit in the company's organizational structure, including regarding authority, authorization, verification, reconciliation, assessment of work performance, division of tasks, and security of company assets ;
 - d. information and communication system, namely a process of presenting reports regarding operational, financial activities, as well as compliance and adherence to statutory provisions by BUMD; and
 - e. internal control monitoring, namely the process of assessing the quality of the internal control system, including the internal audit function at each level and unit in the BUMD organizational structure, so that it can be implemented optimally.

Article 28

The Board of Directors prepares provisions governing the reporting mechanism for suspected irregularities in the relevant BUMD (*whistle blowing system*).

Part Eight
Internal Monitoring System
Article 29

- (1) The Board of Directors carries out internal supervision.
- (2) Internal supervision as intended in paragraph (1) is carried out by: a. establishing an Internal Monitoring Unit; and b. create an Internal Audit Charter.
- (3) The Internal Supervision Unit as intended in paragraph (2) letter a is led by a head who is appointed and dismissed by the President Director based on the company's internal mechanism with the approval of the Supervisory Board or Board of Commissioners.
- (4) The function of internal supervision as referred to in paragraph (1), are: a. evaluation of the effectiveness of the implementation of internal control, risk management and corporate governance processes, in accordance with statutory regulations and company policies; and b. examination and assessment of efficiency and effectiveness in the fields of finance, operations, human resources, information technology and other activities.
- (5) The Board of Directors socializes the Internal Audit Charter to the Company's internal ranks and stakeholders.
- (6) The Board of Directors submits reports on the implementation of the internal supervision function periodically to the Supervisory Board or Board of Commissioners.
- (7) The Board of Directors maintains and evaluates the quality of the supervisory function internally at the company.

Part Nine
Functions of the Corporate Secretary
Article 30

- (1) The Board of Directors carries out the function of company secretary.
- (2) The function of corporate secretary as intended in paragraph (1) can be carried out by appointing a Corporate Secretary.
- (3) The Corporate Secretary as intended in paragraph (2), is appointed and dismissed by the President Director based on the company's internal mechanism with the approval of the Supervisory Board or Board of Commissioners.
- (4) The function of the company secretary as referred to in paragraph (1), is:
 - a. ensure that BUMDs comply with regulations regarding disclosure requirements in line with the implementation of GCG principles;

b. provide information required by the Board of Directors and Supervisory Board or Board of Commissioners periodically and/or at any time if requested;

c. as *liaison officer*; and D. administer and store company documents, including the Shareholder Register, Special Register and minutes of Directors' meetings, Board of Commissioners or Supervisory Board meetings and GMS or KPM meetings.

- (5) The Board of Directors maintains and evaluates the quality of the company secretary's functions.

Part Ten Information Technology Governance

Article 31

- (1) The Board of Directors can determine information technology governance effective.
- (2) The Board of Directors submits reports on the implementation of information technology governance periodically to the Supervisory Board or Board of Commissioners.
- (3) The Board of Directors maintains and evaluates the quality of governance functions information technology in companies.

CHAPTER VI EXTERNAL AUDITOR

Article 32

- (1) The BUMD Annual Financial Report is audited by an external auditor appointed by the KPM or GMS from candidates proposed by the Board of Directors with the approval of the Supervisory Board or Board of Commissioners.
- (2) The Board of Directors, with the approval of the Supervisory Board or Board of Commissioners, carries out the process of appointing prospective external auditors in accordance with the provisions for the procurement of goods and services for each BUMD.
- (3) The Board of Directors, with the approval of the Supervisory Board or Board of Commissioners, submits to the Regent or GMS the reasons for the nomination and the amount of the honorarium/remuneration proposed for the external auditor.
- (4) The external auditor must be free from the influence of the Supervisory Board or Board of Commissioners, Directors and interested parties in BUMD (*stakeholders*).
- (5) BUMD must provide all accounting records and supporting data required by the external auditor to enable the external auditor to provide an opinion regarding the fairness, compliance and conformity of the BUMD's financial reports with financial accounting standards.

CHAPTER VII
INFORMATION MANAGEMENT

Part One
Information Access

Article 33

The Supervisory Board or Board of Commissioners and Directors must ensure that external auditors, internal auditors, as well as the Audit Committee and Other Committees, have access to accounting records, supporting data and information regarding BUMD, as long as necessary to carry out their duties.

The second part
Information Confidentiality

Article 38

- (1) Unless required by statutory regulations, articles of association and/or company regulations, external auditors, internal auditors, and the Audit Committee and Other Committees, must keep confidential the information obtained while carrying out their duties.
- (2) The Supervisory Board or Board of Commissioners and Directors are responsible to the company for maintaining the confidentiality of company information.
- (3) Information, which based on the provisions of statutory regulations and/or company provisions is confidential information relating to the company, must be kept confidential in accordance with the provisions of statutory regulations and/or company provisions.

Part Three
Article 39

BUMD complies with information disclosure by disclosing important information in the Annual Report and BUMD Financial Reports, in accordance with statutory regulations in a timely, accurate, clear and objective manner.

CHAPTER VIII
SAFETY, OPPORTUNITY, EQUALITY OF WORK,
AND ENVIRONMENTAL PRESERVATION

Part One
Work Safety and Environmental preservation

Article 40

The Board of Directors ensures that assets and business locations as well as other BUMD facilities comply with statutory regulations relating to occupational health and safety and environmental preservation.

The second part
Equal Employment Opportunities
Article 41

- (1) The Board of Directors must employ, determine the amount of salary, provide training, determine career paths, and determine other work requirements, without taking into account a person's ethnic background, religion, gender, age, physical disability, or other special circumstances protected by legislation.
- (2) The Board of Directors provides a work environment that is free from all forms of pressure (harassment) that may arise as a result of differences in character, personal circumstances and background.
one's culture.

CHAPTER IX
RELATIONSHIP WITH STAKEHOLDERS
(STAKEHOLDERS)

Article 42

BUMD must respect the rights of Stakeholders that arise based on statutory regulations and/or agreements made by BUMD with employees, customers, suppliers and creditors as well as the community around the BUMD's place of business, and other Stakeholders.

Article 43

The Board of Directors must first obtain approval from the KPM/GMS to enter into agreements with employees relating to employee income that are not required by or exceed the provisions of statutory regulations.

CHAPTER X
BUSINESS ETHICS, ANTI-CORRUPTION AND DONATIONS

Article 44

- (1) Members of the Supervisory Board or Board of Commissioners, Directors and BUMD employees are prohibited from giving or offering, or receiving, either directly or indirectly, to or from customers or a Government official to influence or as a reward for what they have done and other actions , in accordance with statutory provisions.
- (2) Not included in the definition as intended in paragraph (1), is the provision of incentives to employees or other parties that have been determined by the company in the interests of the company.

- (3) BUMD creates a guideline on ethical behavior (*code of conduct*), which basically contains business ethical values.

Article 45

- (1) The Board of Directors signs an Integrity Pact for transactional actions that require approval from the Board of Commissioners/Supervisory Board, and/or GMS/KPM.
- (2) Members of the Board of Directors, Members of the Board of Commissioners/Supervisory Board and certain BUMD officials appointed by the Board of Directors, are required to submit wealth reports in accordance with statutory provisions.

Article 46

Within appropriate limits, BUMDs can only make donations for charity or social purposes in accordance with statutory regulations.

CHAPTER XI

BUMD INTRODUCTION PROGRAM

Article 47

- (1) Members of the Supervisory Board or Board of Commissioners and members of the Board of Directors who are appointed for the first time are required to be given an introduction program regarding the relevant BUMD.
- (2) The responsibility for holding the introduction program as intended in paragraph (1) lies with the Corporate Secretary or the person carrying out the function as corporate secretary.
- (3) The introduction program includes:
 - a. implementation of GCG principles in BUMD; b. description of BUMD relating to the objectives, nature and scope of activities, financial and operational performance, strategy, short-term and long-term business plans, competitive position, risks and other strategic issues;
 - c. information relating to delegated authority, internal and external audits, internal control systems and policies, including the Audit Committee; and/or
 - d. information regarding the duties and responsibilities of the Supervisory Board or Board of Commissioners and Directors as well as things that are not permitted.
- (4) The BUMD introduction program can take the form of presentations, meetings, visits to companies and review of documents or other programs deemed appropriate to the BUMD where the program is implemented.

CHAPTER XII
MEASUREMENT OF GCG IMPLEMENTATION

Article 48

- (1) BUMD measures the implementation of GCG in form:
 - a. assessment , namely a program to identify the implementation of GCG in BUMDs through measuring the implementation and application of GCG in BUMDs which is carried out periodically every 1 (one) year; And
 - b. evaluation (*review*), namely a program to describe the follow-up to the implementation and implementation of GCG in BUMD which is carried out in the following year after the assessment as referred to in letter a, which includes evaluation of the results of the assessment and follow-up on recommendations for improvement.
- (2) Before carrying out the assessment as intended in paragraph (1) letter a, it is preceded by GCG socialization actions at the relevant BUMD.
- (3) The assessment is carried out by:
 - a. independent appraiser (*assessor*) appointed by the Board of Directors with approval from the Supervisory Board or Board of Commissioners through a process in accordance with the provisions for procurement of goods and services for each BUMD; b. competent government agency services in the field of GCG, appointed by the Board of Directors with the approval of the Supervisory Board or the Board of Commissioners through direct appointment.
- (4) The implementation of the evaluation is in principle carried out by the BUMD concerned (*self assessment*), the implementation of which can be discussed with or requested assistance (*assistance*) by an independent assessor or using the services of a Government Agency that is competent in the field of GCG.
- (5) The assessment and evaluation is carried out using indicators or parameters determined by the BUMD Supervisor.
- (6) In the event that the evaluation is carried out with the help of an independent *assessor* or using the services of a Government Agency that is competent in the field of GCG, the independent assessor or Government Agency that carries out the evaluation cannot become an assessor in the following year.
- (7) Before carrying out the assessment, the appraiser as referred to in paragraph (4) and paragraph (5), signs a work agreement with the relevant BUMD Directors which at least contains the rights and obligations of each party, including the time period and implementation costs.
- (8) The results of the assessment and evaluation are reported to the KPM/GMS at the same time as the submission of the Annual Report.

CHAPTER XIV
CLOSING

Article 49

This Regent's Regulation comes into force on the date of promulgation.
So that everyone is aware, this Regent's Regulation is ordered to be promulgated
by placing it in the Regional Gazette of Sukoharjo Regency.

Stipulated in Sukoharjo on
December 2 2021

REGENT SUKOHARJO,

signed.

ETIK SURYANI

Promulgated in Sukoharjo on
December 2 2021

REGIONAL SECRETARY
SUKOHARJO DISTRICT,

signed.

WIDODO

REGIONAL NEWS SUKOHARJO DISTRICT
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Copy Corresponds to the original
Head of Legal Department

signed

RETNO WIDIYANTI BUDININGSIH, SH

Level I Organizer
NIP.19790801 200501 2 010